

INTRODUCTION

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CHAPTER 1: INTRODUCTION

IMPLEMENTATION HANDBOOK

The Department of Administration (DOA), Division of Housing (DOH), has developed this handbook as a resource to local government officials and their appointed Community Development Block Grant (CDBG) grant administrators to clarify the rules for grant recipients and to help to ensure compliance with the State & Federal CDBG grants requirements. Units of General Local Government (UGLGs) or local municipalities which are contemplating applying for State CDBG funds, and which may have not yet been awarded CDBG dollars, are strongly encouraged to review this handbook as it will provide an in-depth overview of responsibilities associated with any CDBG funds potentially awarded.

CDBG Grantees must follow all policies and procedures included in this handbook. While this handbook contains guidance for a combination of State and Federal requirements to assist UGLGs in helping meet their awarded program money obligations, it should be noted that some independent judgment may be required on the part of the UGLG when making certain decisions. DOH fully expects recipients of State CDBG funds to comply with all applicable local, State, and Federal requirements, in addition to the information & materials included in this handbook.

IMPORTANT REMINDER!

DOH fully expects recipients of State CDBG funds to comply with all applicable local, State, and Federal requirements, regardless of the information & materials included in this handbook.

Although the Department strives to provide a comprehensive overview of relevant rules & regulations pertaining to the use and administration of State CDBG funds, information may change throughout the life of a Grant Agreement's performance period. Reasons for the on-going need to periodically update the contents of this handbook could include (but would not necessarily be limited to): changes in federal regulations, changes in State policies or requirements, and/or changes in the interpretation of a Federal regulation or clarification of a stated requirement.

The DOH staff will review and update this CDBG-PF Implementation Handbook on an as-needed basis in the event that such changes in regulations make formal updates to the published document necessary. It should further be noted that it is the Grantee's obligation to obtain a copy of, and ensure compliance with, the grant requirements stated within the most up-to-date version of the CDBG-PF Implementation Handbook.

IMPORTANT REMINDER!

It is the Grantee's obligation to ensure compliance with the grant requirements specified within the most up-to-date version of the State of Wisconsin's CDBG-PF Implementation Handbook.

CDBG OVERVIEW

The United States Department of Housing and Urban Development (HUD) administers the CDBG Program, which is governed by Title I of the Housing and Community Development Act of 1974 as amended (the Act), and Federal regulations at 24 CFR 570, Subpart I. The Omnibus Budget Reconciliation Act of 1981 authorized states to administer the CDBG programs.

The CDBG program was designed using the block grant model, which gives states the authority to determine their funding priorities, and provides broad latitude to the states to use funds for a variety of development activities.

Every year, HUD provides Federal CDBG funds directly to States, which in turn, provide the funds to small, rural cities and towns with populations

less than 50,000 people and/or to non-urban counties. These small communities are called ‘non-entitlement’ areas because they must apply for CDBG dollars through the state. Larger cities, such as Milwaukee, La Crosse, and Madison, receive CDBG monies directly from HUD, and are called ‘entitlement’ communities. A complete list of Wisconsin’s CDBG ‘entitlement’ communities can be found on the housing.wi.gov website. They are not eligible to apply for the State’s CDBG Program. State CDBG Program Funds are awarded by the state to non-entitlement communities annually on a competitive basis, based on predetermined scoring parameters.

ELIGIBLE APPLICANTS

DOH may only award CDBG grants to UGLGs which, in turn, carry out the funded activities. The only UGLGs permitted to apply for CDBG funds are incorporated towns, non-entitlement cities, villages, and non-urban counties.

Non-profit agencies and entities such as sewer districts and fire departments are not eligible to apply for grant funds. DOH cannot award CDBG funds directly to citizens or private organizations.

Each year DOH develops funding priorities and criteria for selecting projects. **Eligible UGLGs that are in the process of applying for or have received DOH funding are referred to as Grantees.**

UGLGs are responsible for considering the local needs of their populations, preparing grant applications for submission to the State, and carrying out the funded community development activities. UGLGs must comply with all Federal and State requirements pertaining to the use of their awarded CDBG dollars.

SUB-RECIPIENTS

A sub-recipient is defined as a not-for-profit organization or agency that indirectly receives the benefit of CDBG funds but is not eligible to apply for those funds on its own. Examples of sub-recipient organizations include: fire departments, senior citizen organizations, and libraries. These and similar organizations are not eligible to apply for CDBG dollars directly

from DOH, but they may receive the benefit of the funds if their local government submits an application for funding on their behalf.

It is extremely important that Grantees (i.e. UGLGs) understand the contingent liability they have when they apply for CDBG funds on behalf of a sub-recipient. In every case, the UGLG is ultimately responsible if the project does not meet the stated National Objective that was outlined in the grant application and which was formalized in the Grant Agreement. The project is considered to be in non-compliance until compliance is obtained.

Should the project not meet the stated goal of the selected National Objective, the UGLG may be asked to pay back the funds to the State. Furthermore, until such time as the requested reimbursement funds are returned to DOH, the Grantee is ineligible to apply for other CDBG grants.

CDBG PROGRAM OBJECTIVES

The primary objective of the CDBG program is to develop viable communities by helping to provide decent housing & suitable living environments, and expanding economic opportunities principally for persons of low- to moderate-income.

To achieve these goals, CDBG regulations define eligible activities and the National Objectives that each activity must meet. As the recipient of CDBG funds from the Federal Government, DOH is charged with ensuring that each project it funds within the State meets at least one of the following National Objectives, and that each project is an eligible activity (as listed by HUD).

CDBG NATIONAL OBJECTIVES

The HUD National Objective category must be identified in the grant application prior to the award of funding. However, the National Objective is not met until the Grant Recipient carries out the activity, and the closeout report documenting how the National Objective was met, has been accepted.

The three National Objectives are:

1. To provide benefits to Low- and Moderate-Income (L/M) persons;
2. To aid in the prevention or elimination of slums or blight; or
3. To provide funding for projects that have a particular urgency due to existing conditions which pose a serious & immediate threat to the health or welfare of the community.

The three National Objectives are described in more detail (below):

National Objective #1 – Provide benefits to Low and Moderate Income persons.

Public facilities activities, such as water, sewer and storm water projects, generally qualify under the first National Objective; providing area wide benefits to LMI persons.

The ‘benefit to LMI persons’ test is met by documenting - using census data or by conducting an income survey – that 51% or more of the persons who live in the project area or community are of low-to-moderate income.

Other possible area wide projects include: library projects, fire stations and community centers. In some instances the project may qualify under the limited clientele criteria. These are typically projects that serve a specific group of individuals in a community but not necessarily the entire community. HUD has designated eight limited clientele groups that automatically qualify as meeting the benefit of low-to-moderate income persons test. These groups are:

- Abused Children
- Battered Spouses
- Senior Citizens (62+)
- Illiterate Adults
- Severely Disabled Adults
- The Homeless
- Persons with HIV-AIDS
- Migrant Farm Workers

Examples of limited clientele projects include senior citizens centers or projects that benefit the homeless, migrant farm workers, or persons with HIV/Aids.

National Objective #2 – Aid in the prevention or elimination of slums or blight.

Activities that qualify under the National Objective of preventing slum and blight address deteriorated infrastructure and living conditions which have long-lasting effects on community viability. The slum and blight conditions must affect the health & safety of the local community, and they can be addressed on an area-wide basis or on a spot basis. Public and/or private facilities requiring improvements that aid in the prevention or elimination of slums or blighted conditions in a designated slum/blight area may qualify for DOH funding under the National Objective of Elimination of Slum and Blight Area Basis.

Such projects would include downtown sidewalk repairs or façade improvements to multiple downtown buildings. Improvements could also be for a single downtown building not located in a blighted area, and in such case, the project would qualify under the Spot Basis. Spot Basis projects are typically historic preservation projects.

National Objective #3 – Provide funding for projects that have a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community.

Activities that qualify under the National Objective of resolving Urgent Local Need (ULN) issues address deteriorated infrastructure and living conditions which have arisen suddenly, usually as the result of a local natural or man-made disaster. CDBG funds could be used to restore & improve local communities if the improvement corrects a CDBG-defined urgent situation. Previous cases where Urgent Need projects have been funded have typically addressed disaster relief or disaster recovery.

ELIGIBLE ACTIVITIES

In addition to meeting a National Objective, every project that receives CDBG funds must also be an Eligible Activity.

A listing of typical eligible activities includes (this is not an all-inclusive list):

- Public facilities improvements – such as sewer and/or water infrastructures
- Public services – such as child care, health care, job training (including training a qualified pool of candidates for unspecified jobs), recreation programs, education programs, public safety services, fair housing activities, services for senior citizens, services for homeless persons, drug abuse counseling & treatment, energy conservation counseling & testing, homebuyer down-payment assistance, and emergency assistance payments (for example, to keep tenants from losing their housing). Paying the cost of operating & maintaining that portion of a facility in which the service is located is also considered to fall under the basic eligibility category of Public Services, even if such costs are the only contributions made by CDBG for those services. The public services of political activities, and on-going grants or non-emergency payments (defined in the Entitlement program as more than three consecutive months) to individuals for their food, clothing, rent, utilities, or other income payments **are not eligible under this category.**
- Economic development projects
- Infrastructure improvements
- Acquisition
- Relocation
- Clearance activities
- Historic preservation
- Planning activities
- Grant administration
- Handicap accessibility projects

INELIGIBLE ACTIVITIES

In general, any activity not specifically authorized under CDBG statute or regulations is ineligible for CDBG funds. In addition, the statute specifically stipulates that the following activities may not be assisted with CDBG funds:

- Buildings for the general conduct of government, except to create accessibility for disabled population (e.g., city hall)
- General government expenses
- Political activities

- Purchase of equipment or furnishings for a property. This excludes, certain types of manufacturing equipment connected with economic development activities and the purchase of fire trucks as firefighting equipment
- New housing construction and Income Payments (Income Payments are defined in the regulations as direct payments to subsidize rent and/or utilities)
- Operating and maintenance expenses for public facilities, improvements and services, and
- Lobbying activities.

ADDITIONAL NOTES: (optional)